

BEST PRACTICES THAT PROMOTE MILITARY CONSUMER PROTECTIONS

SUBJECT: Department of Defense (DoD) depends on the assistance of state regulators to protect Service members and their families from harmful credit practices.

PRINCIPLES: State regulators can support consumer protection for Service members and their families by enforcing state and Federal statutes providing them protection, and by maintaining surveillance over financial providers so that they can be aware of financial organizations and financial practices that may be causing problems. More specifically:

- **State legislators** can assist state regulators by assuring they have authority to enforce the DoD regulation: Limitations on Terms of Consumer Credit Extended to Service Members and Dependents (32 C.F.R Part 232),¹ which covers payday, vehicle title and tax refund anticipation loans; and
- **State credit regulators** can use the Federal Trade Commission's (FTC's) Military Sentinel to assist them in maintaining surveillance over the credit markets in their states. Military Sentinel is a secure database of alleged circumstances of fraud, deception and other abusive practices reported by Service members and their dependents.

EXAMPLES:

- **State legislators** can provide their regulators with authority to enforce the DoD regulation through broad statements concerning enforcement of credit statutes and regulations issued by the Federal government, or through more specific statements concerning the Federal statute that promulgated the DoD regulation:
 - South Dakota statute (54-4-49) provides the regulator over payday loans authority to *"suspend or revoke a license for good cause pursuant to chapters 1-26 and 1-26D. If the licensee is the holder of more than one license, the director may suspend or revoke any or all of the licenses. For purposes of this section, good cause includes any of the following: (1) Violation of any statute, rule, order, or written condition of the commission or any federal statute, rule, or regulation pertaining to consumer credit."*
 - Nevada statute (NRS 604A.442), which covers both payday and title loans, provides enforcement authority to the regulator based on *"violation of federal law constitutes violation of chapter. Notwithstanding any other provision of law, a violation of any provision of section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007, Public Law 109-364, or any regulation adopted pursuant thereto shall be deemed to be a violation of this chapter."*
- **State credit regulators** can obtain access to FTC's Military Sentinel secure data base through a Memorandum of Understanding (MoU) with FTC concerning information confidentiality. The MoU is accessible at <https://register.consumersentinel.gov/>.

¹ Implements § 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364), codified as 10 U.S.C. § 987